

Issue # 2

Date: December 18, 1997

ETA NEWSLETTER

Response To DRFP Questions

Questions numbers 1 thru 31 are located under the response to Questions asked at the September 22nd Industry Presentation. Question 32 thru 36 are located in the ETA Newsletter dated October 23, 1997. The follow Questions (37 thru 47) below are the questions and the answers that were received on the DRFP. Please continue to monitor our webpage for up to date information on ETA.

Question 37: What is *e-file* using a tax professional and *e-file* using a personal computer?

Answer 37: *e-file* using a tax professional is the program formerly known as Practitioner ELF and *e-file* using a personal computer is the program formerly known as On-line Filing

Question 38: Approach 3, System Enhancements/Modifications, seems to be focused primarily on home filing via the Internet. Can responses to Approach 3 include technology enhancements for current ETA Systems (Practitioner ELF and On-line Filing)?

Answer 38: It was our intent to encourage proposals in Approach 3 that involved technology enhancements for current ETA Systems (*e-file* using a tax professional and *e-file* using a personal computer). Home filing via the Internet was not intended to be the primary focus.

Question 39: We would like clarification on the IRS's expectations regarding the IRS's administrative role in a potential home filing capability. Might home filers interface directly with the IRS (e.g., making service calls) or would they interface through a third

party (e.g., a network service provider or tax preparer)?

Answer 39: In the current program, *e-file* using a personal computer, the transmitter provides technical customer support. The IRS does not have sufficient staffing to take on this responsibility for home filers. While IRS Customer Service would provide tax assistance as they do now, we anticipate that technical customer support will continue to be provided by the transmitter. If IRS contracts for a home filing application, technical customer support would most likely be part of the statement of work.

Question 40: Can the IRS clarify how offerors can obtain data on filing volumes, numbers of filers using different kinds of forms, etc?

Answer 40: The IRS's Statistics of Income and Compliance Research organizations compile this type of information annually. Offerors can access the information via the Digital Daily at <http://www.irs.ustreas.gov>. Choose **Tax Stats** at the bottom of the page.

Question 41: Could the IRS further define its requirements for information to be contained in past performance submittals? Is the IRS prepared to evaluate technology providers on their past performance of the technology offered? The Dunn and Bradstreet process is unclear as to what work they will be performing, and exactly what information they will be evaluating.

Answer 41: We received some excellent comments on the past performance area of the Draft RFP. We expect to use those comments to improve the description of our requirements and method of evaluation in the past performance area. Certainly the company's past performance with the technology offered will be an area of interest.

Question 42: In *Critical Issues for Development of an Electronic Tax Administration Strategy: A Plan for Moving Federal Tax Administration into the Information Age*, published on February 10, 1997, the IRS stated that they wanted to leverage current programs and technology. One of the highlighted areas was *Foster the Growth of E-Forms*. More specifically, the IRS expressed an interest in allowing individuals and small businesses to file tax returns via computer and modem using electronic forms (E-forms) through third parties and directly with the IRS. Is this application within the scope of ETA? What priority has the IRS placed on implementing a solution for this application in time for the 1999 tax season?

Answer 42: This type of application is certainly within the scope of Electronic Tax Administration. The forthcoming Electronic Tax Administration Strategy will indicate the priority of this type of application.

Question 43: Should the IRS accept multiple solutions that are not fully comprehensive, how shall they ensure their interoperability?

Answer 43: The subject of integration was brought up in a number of industry comments. Our resolution of the issue will be reflected in the statement of work for the final RFP.

Question 44: The IRS indicates that should any changes be made to the current tax laws, applicable regulations, or IRS forms during the life of the contract, such changes must be implemented without cost to the IRS. This has the potential, depending on the nature of such changes, to impose significant costs to the contract. Is the IRS willing to commit to an equitable adjustment of the prices in the awarded contract for such significant, costly changes made by the contractor?

Answer 44: The reference to changes being made without cost really applied to Approaches 1 and 2 in the Draft RFP and is a reflection of how the *e-file* programs currently operate. In the current *e-file* program, we provide the file specifications and record layouts annually. Software developers update their tax preparation products to match the specifications. Presumably, the purchasers of the software bear the cost of making the updates. In Approaches 1 and 2 of the Draft RFP, IRS would not

be taking title to any software that was developed and would not expect to pay for making the annual changes. Conversely, in arrangements where IRS is taking title to the software, the IRS would expect to pay for significant system modifications, based on the terms of the contract.

Question 45: The reimbursement proposed by the IRS to the contractor is unduly affected by factors outside of the contractor's control. The volume of potential users is addressed, but the contractor cannot control how many tax filers will actually make use of the system. Is the IRS contemplating some sort of marketing campaign or mandatory electronic filing requirement which would serve to increase the number of electronic filers, or is the contractor expected to provide a marketing campaign or some such procedure to increase usage of the system? If the contractor is expected to fulfill this need, will the IRS reimburse the costs associated with such an effort?

Answer 45: We found the industry meetings and written comments very helpful in this area. The comments helped us to clarify our intent. Our intention is to expand the use of electronic tax administration programs. We know that certain market segments, (simple returns with refunds due) comprise the bulk of electronic returns today. We want to see how a particular proposal will impact underrepresented market segments including balance due returns, complicated returns and Federal/State returns. These markets could be reached through paid preparers or home filing. For the RFA, a particular proposal would demonstrate why filers in

those underrepresented market segments would be more likely to file electronically based on the proposal. For example, the proposal may involve reducing taxpayer (or preparer) burden so that the filer is more inclined to use electronic tax administration programs.

Question 46: We request that industry be provided with the Internal Requirements for the present commercial electronic filing system as well as other initiatives including the Cyberfile system. This documentation will be used to determine IRS goals and to ensure that any systems built are consistent with the IRS long-term objectives.

Answer 46: We will post the Electronic Tax Administration Strategy on the Web page as soon as it can be made available so that no one will have to try to derive the strategy from another set of documents.

Question 47: Can we get a copy of the *Investment Justification Handbook*? Does this contain current IRS processing costs?

Answer 47: We will not be posting the *Investment Justification Handbook* on the Web page. The document does not include current processing costs. IRS analysts and managers use the *Investment Justification Handbook* as guidance in developing the business rationale for a particular investment. Only a small portion of the handbook is relevant for the submission of proposals and that is the Return on Investment (ROI). The ROI, as referenced in the Draft RFP, is defined in the *Investment Justification Handbook* as simply the present value of benefits divided by the present value of

investment costs. With the final RFP, we will provide a format for the information we require to compute the ROI.